



**MADIBENG LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2007**

**Madibeng Local Municipality  
Annual Financial Statements  
30 June 2007**

**Municipal Manager's responsibility statement**

I am responsible for the preparation of these annual financial statements, which are set out on pages 8 to 20, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



MAPULANE P.M  
Municipal Manager

31/08/07  
Date

**Madibeng Local Municipality  
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**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2007**

**1. BASIS OF PRESENTATION**

The annual financial statements have been prepared in accordance with the standards of Generally Recognised Accounting Practices (GRAP) and the standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

These standards are summarised as follows:

|          |   |
|----------|---|
| GRAP 1   | Presentation of financial statements                            |
| GRAP 2   | Cashflow statements   |
| GRAP 3   | Accounting policies, changes in accounting estimates and errors |
| GAMAP 4  | Effects of changes in foreign exchange rates                    |
| GAMAP 9  | Revenue   |
| GAMAP 7  | Accounting for investments in associates                        |
| GAMAP 8  | Financial reporting of interests in joint ventures              |
| GAMAP 12 | Inventories   |
| GAMAP 17 | Property, plant and equipment                                   |
| GAMAP 19 | Provisions, contingent liabilities and contingent assets        |

Accounting policies for material transactions, events or conditions not covered by the above GRAP and or GAMAP standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on South African Statements of Generally Accepted Accounting Practices (SA GAAP) including interpretations issued by the Accounting Standards Board.

The Minister of Finance has, in terms of General Notice No. 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards.

A summary of significant accounting policies, which have been consistently applied except where an exemption has been granted are disclosed below.

**2. PRESENTATION CURRENCY**

These financial statements are presented in South African Rand.

**3. GOING CONCERN ASSUMPTIONS**

The annual financial statements have been prepared on a going concern basis. Madibeng has an arrangement with Public Investment Corporation to repay R15million in 2007/2008 financial year. This repayment will be escalated to R20million and R30million in the 2008/2009 and 2009/2010 financial years respectively. The Bojanala Platinum District Municipality is aware of the PIC loan and has engaged the National government regarding assistance on the repayment of the loan. Madibeng is able to meet its normal trading commitments almost within the prescribed invoice period. Also note that the assets of the municipality fairly valued, will exceed the liabilities.

The annual financial statements have been prepared on a going concern basis. Madibeng has an arrangement with Public Investment Corporation to repay R15million in 2007/2008 financial year. This repayment will be escalated to R20million and R30million in the 2008/2009 and 2009/2010 financial years respectively. The Bojanala Platinum District Municipality is aware of the PIC loan and has engaged the National government regarding assistance on the repayment of the loan. Madibeng is able to meet its normal trading commitments almost within the prescribed invoice period. Also note that the assets of the municipality fairly valued, will exceed the liabilities.

**4. PROPERTY, PLANT AND EQUIPMENT**

- at historical cost, or

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2007 (Continued)**

- at valuation (based on the market price at the date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Chief Financial Officer.

**Depreciation**

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of the "Provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

- Appropriations from income, where the full cost of the assets forms an immediate and direct charge against the operation income, and therefore it is unnecessary to make any further provision for depreciation.
- *Grants or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and other Capital Receipts" account.*

**5. HERITAGE ASSETS**

Heritage assets are defined as cultural significant resources and are not depreciated as they are regarded as having an infinite life.

**6. LAND**

Land is not depreciated for the same reasons as the Heritage Assets above.

**7. REVALUATION OF LAND AND BUILDINGS**

Land and buildings are stated at revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation in respect of buildings.

**8. INVENTORY**

Consumables stores, raw materials, work-in-progress and finished goods are valued at cost.

**9. RETIREMENT BENEFITS**

The Municipality provides retirement benefits for its employee and councillors. The contributions to the fund obligations for payment of the retirement benefits are charged against the income in the year they become payable. The fund actuary performs the actuarial valuation of the fund at least after every three years. Where a fund has a deficit, it is funded by means of lump sum payment or increased future contributions on a proportional basis to all fund members.

**10. REVENUE RECOGNITION**

Assessment rates income is recognised once a rates assessment has been issued to the ratepayers. Adjustment or interim rates are recognised once the Municipal Valuator has valued the change to properties. Rates collected on unpaid rates are recognised once the due date for payment has lapsed. Rates penalties charges are recognised after each payment interval has lapsed.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue arising from the application of the approved tariff of charges is generally recognised when the relevant service has been rendered.

Interest on rentals is recognised on a time proportion basis that takes into account the effective yields services on assets.



**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007 (Continued)**

Revenue from sale of water and electricity is recognised when either a meter reading has been performed or an estimate of consumption is raised on a provisional basis.

Revenue from fines is recognised when payment is received, and the revenue from the issuing summonses is recognised when collected.

Amounts received from government and donors that are considered to be of revenue in nature are recognised on receipts. Amounts received from government and donors for purposes of acquiring of property, plant and equipment are classified as capital receipts and credited directly to non-distributable reserves. These amounts are realised to the income statement over the life of the property, plant and equipment acquired.

**11. INVESTMENT**

The municipality has an approved investment policy and assets are stated at cost, less any write-offs.

**12. ACCOUNTS RECEIVABLE**

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

**13. CONDITIONAL GRANTS AND RECEIPTS**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

**14. TRADE CREDITORS**

Trade creditors are stated at their nominal value.

**15. PROVISIONS**

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

**16. CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007 (Continued)**

**17. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**18. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**19. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**20. FOREIGN CURRENCIES**

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

**20. RELATED PARTIES**

Related party transactions are recognised at arms length.

**21. COMPARATIVE INFORMATION**

**20.1 Current year comparatives:**

Budgeted amounts have been included in the annual financial statements for the current financial year only.

**20.2 Prior year comparatives:**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

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**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007**

|   | Note | 2007                | 2006<br>R          |
|---|------|---------------------|--------------------|
| <b>NET ASSETS AND LIABILITIES</b>       |      |                     |                    |
| <b>Capital and reserves</b>             |      | <b>(90,123,331)</b> | <b>(9,080,171)</b> |
| Township Development                    |      | -                   | 22,326,125         |
| Housing fund                            |      | (48,164,290)        | -                  |
| Capital replacement reserve             |      | -                   | 85,054,223         |
| Reserves                                |      | -                   | 254,272            |
| Government grant reserve                |      | 16,123,841          | 29,592,309         |
| Loan redemption fund                    |      | -                   | 15,305,927         |
| Bursary loan fund                       |      | -                   | 254,704            |
| Land trust fund                         |      | -                   | 1,269,872          |
| Accumulated Surplus/(Deficit)           |      | (58,082,882)        | (163,137,603)      |
| <b>Non-current liabilities</b>          |      | <b>358,781,536</b>  | <b>336,718,130</b> |
| Long-term liabilities                   | 1    | 354,556,697         | 336,718,130        |
|   | 2    | 4,224,839           | -                  |
| <b>Current liabilities</b>              |      | <b>400,729,036</b>  | <b>364,981,662</b> |
| Short term liabilities                  | 3    | 21,437,222          | 10,377,285         |
| Creditors                               | 4    | 335,351,862         | 342,675,842        |
| Bank overdraft                          | 5    | 36,144,337          | 4,536,206          |
| Consumer deposits                       | 6    | 7,795,615           | 7,392,329          |
| <b>Total Net Assets and Liabilities</b> |      | <b>669,387,241</b>  | <b>692,619,621</b> |
| <b>ASSETS</b>                           |      |                     |                    |
| <b>Non-current assets</b>               |      | <b>248,068,107</b>  | <b>218,484,655</b> |
| Property, Plant and Equipment           | 7    | 171,996,814         | 156,126,011        |
| Long term Investments                   | 8    | 66,567,903          | 50,834,842         |
| Long-term receivables                   | 9    | 9,503,390           | 11,523,802         |
| <b>Current assets</b>                   |      | <b>421,319,134</b>  | <b>474,134,966</b> |
| Inventory                               | 10   | 1,989,490           | 3,499,519          |
| Consumer debtors                        | 11   | 96,224,491          | 125,432,952        |
| Other debtors                           | 12   | 306,139,544         | 289,805,716        |
| Vat receivable                          | 13   | 2,768,729           | 16,110,659         |
| Short-term receivables                  | 14   | 4,329,623           | 2,900,000          |
| Call investment deposits                | 15   | 7,894,428           | 19,433,675         |
| Bank balances and cash                  | 16   | 1,972,632           | 16,952,445         |
| <b>Total Assets</b>                     |      | <b>669,387,241</b>  | <b>692,619,621</b> |



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**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2007**

|  | Note | 2007               | 2006<br>R            |
|--|------|--------------------|----------------------|
| <b>REVENUE</b>                         |      |                    |                      |
| Property rates                         | 17   | 83,849,558         | 62, 599, 638         |
| Service charges                        | 18   | 248,813,127        | 205,167,865          |
| Rental of facilities and equipment     |      | 1,367,535          | 1,005,575            |
| Interest earned - external investments |      | 13,738,526         | 10,939,404           |
| Fines                                  |      | 529,643            | 1, 465,287           |
| Licences and permits                   |      | 2,244,629          | 4, 071, 157          |
| Government Grants                      | 19   | 109,788,176        | 78,976,546           |
| Dividends                              |      | 51,643             | -                    |
| Agency commission income               |      | 2,259,119          |                      |
| Other income                           | 20   | 17,121,242         | 5,434,290            |
| <b>Total Revenue</b>                   |      | <b>479,763,198</b> | <b>369, 659, 762</b> |
| <b>EXPENDITURE</b>                     |      |                    |                      |
| Employee related costs                 | 21   | 126,529,255        | 120,946,731          |
| Remuneration of councillors            | 22   | 11,087,894         | 8,850,792            |
| Leave provision                        |      | (5,745,316)        | 6,594,168            |
| Collection costs                       |      | -                  | 51,108               |
| Provision for bad debts                |      | 74,500,410         |                      |
| Repairs and maintenance                |      | 24,456,091         | 20,762,003           |
| Interest paid                          | 23   | 12,856,705         | 6,015,749            |
| Bulk purchases                         | 24   | 124,167,068        | 134,609,363          |
| Contracted services                    |      | 33,850,306         | 44,115,979           |
| General expenses                       | 25   | 131,360,250        | 97,440,740           |
| Less Expenses recovered                |      | (68,592,987)       | (57,030,763)         |
| <b>Total Expenditure</b>               |      | <b>464,469,676</b> | <b>382,355,870</b>   |
| <b>SURPLUS/(DEFICIT)</b>               |      |                    |                      |
| <b>SURPLUS/(DEFICIT) FOR THE YEAR</b>  |      | <b>15,293,522</b>  | <b>(12,696,108)</b>  |

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**Statement of Changes in Net Assets at 30 June 2007**

|                                    | <u>Township</u><br><u>Develop.</u><br><u>Fund</u> | <u>Capital</u><br><u>Replacement</u><br><u>Reserve</u> | <u>Housing</u><br><u>Developme</u><br><u>nt</u><br><u>Account</u> | <u>Grants</u><br><u>Fund</u> | <u>Land</u><br><u>Trust funds</u> | <u>Books</u><br><u>Lost</u> |                                  | <u>Assistance</u><br><u>To</u><br><u>Indigents</u> | <u>Bursary</u><br><u>Loan</u><br><u>Fund</u> | <u>Loans</u><br><u>Redemption</u><br><u>Fund</u> | <u>Capitalisation</u><br><u>Reserve</u> | <u>Accumulated</u><br><u>Surplus/</u><br><u>(Deficit)</u> | <u>Total</u>  |
|------------------------------------|---|--|---|------------------------------|-----------------------------------|-----------------------------|----------------------------------|--|--|--|---|---|---------------|
|                                    | R   | R  | R   | R                            | R                                 |                             | <u>Working</u><br><u>Capital</u> |  | R  |  | R                                       | R   | R             |
| <b>2005</b>                        |   |  |   |                              |                                   |                             |                                  |  |  |  |   |   |               |
| Balance at 1 July 2005             | 26,390,819  | 72,018,309   | 16,006  | 2,811,799                    | 1,148,918                         | 5,704                       | 208,507                          | (437,312)  | 234,528                                      | 13,529,710                                       | -                                       | (115,476,876)   | 450,112       |
| Contributions                      | -   | -  | -   | -                            | -                                 | -                           | -                                | 10,500,000   | -  | 97,151   | -                                       | -   | 10,597,151    |
| Interest                           | -   | 3,124,918  | -   | -                            | 3,054                             | -                           | -                                | -  | -  | 1,679,066  | -                                       | -   | 4,807,038     |
| Other income                       | 2,800,515   | 10,245,705   | -   | 140,947,341                  | 117,900                           | -                           | -                                | -  | 20,176                                       | -  | -                                       | -   | 154,131,637   |
| Ordinary Expenses                  | (6,865,209)                                       | (206,174)  | -   | (6,798,172)                  | -                                 | (5,704)                     | -                                | (2,475)  | -  | -  | -                                       | -   | (13,877,734)  |
| Capital expenses                   | -   | (128,535)  | -   | -                            | -                                 | -                           | -                                | (10,030,454)                                       | -  | -  | -                                       | -   | (117,527,648) |
| Appropriations for the year        | -   | -  | -   | -                            | -                                 | -                           | -                                | -  | -  | -  | -                                       | -   | -             |
| (Note 26)                          | -   | -  | -   | -                            | -                                 | -                           | -                                | -  | -  | -  | -                                       | (30,380,880)  | (30,380,880)  |
| Correction of error Prior year     | -   | -  | -   | -                            | -                                 | -                           | -                                | -  | -  | -  | -                                       | (4,583,739)   | (4,583,739)   |
| leave adjustment                   | -   | -  | -   | -                            | -                                 | -                           | -                                | -  | -  | -  | -                                       | (12,696,108)  | (12,696,108)  |
| Accumulated (deficit) for the year | -   | -  | -   | -                            | -                                 | -                           | -                                | -  | -  | -  | -                                       | (12,696,108)  | (12,696,108)  |
| <b>2006</b>                        |   |  |   |                              |                                   |                             |                                  |  |  |  |   |   |               |
| Balance as at 1 July 2006          | 22,326,125  | 85,054,223   | 16,006  | 29,592,309                   | 1,269,872                         | 0                           | 208,507                          | 29,759   | 254,704                                      | 15,305,927                                       | -                                       | (163,137,603)   | (9,080,171)   |
| Transfer to accumulated surplus    | (22,326,125)                                      | (85,054,223)   | -   | -                            | (1,269,872)                       | -                           | (208,507)                        | (29,759)   | (254,704)                                    | (15,305,927)                                     | -                                       | 124,449,117   | -             |
| Loans redeemed and other           | -   | 2,790,985  | -   | 43,204,169                   | -                                 | -                           | -                                | -  | -  | -  | 400,606,155                             | 204,164,814   | 650,766,123   |
| capital receipts                   | -   | -  | -   | -                            | -                                 | -                           | -                                | -  | -  | -  | -                                       | -   | -             |
| Transfers from retained income     | -   | 2,269,261  | -   | -                            | -                                 | -                           | -                                | -  | -  | -  | -                                       | (2,269,261)   | -             |
| to CRR                             | -   | -  | -   | -                            | -                                 | -                           | -                                | -  | -  | -  | -                                       | -   | -             |
| Receipts conditional grants        | -   | -  | -   | 112,089,706                  | -                                 | -                           | -                                | -  | -  | -  | -                                       | -   | 121,891,693   |
| Used to reduce the value of        | -   | (5,060,246)  | -   | (155,293,875)                | -                                 | -                           | -                                | -  | -  | -  | (400,606,155)                           | (204,164,814)   | (774,927,077) |
| assets                             | -   | -  | -   | -                            | -                                 | -                           | -                                | -  | -  | -  | -                                       | -   | -             |
| Appropriations for the year        | -   | -  | -   | -                            | -                                 | -                           | -                                | -  | -  | -  | -                                       | (36,719,060)  | (36,719,060)  |
| (Note 26)                          | -   | -  | (48,372,505)  | -                            | -                                 | -                           | -                                | -  | -  | -  | -                                       | -   | -             |
| Expenses                           | -   | -  | -   | (113,776,878)                | -                                 | -                           | -                                | -  | -  | -  | -                                       | (13,317,622)  | (175,467,005) |
| Income                             | -   | -  | 192,209   | 15,359,544                   | -                                 | -                           | -                                | -  | -  | -  | -                                       | 17,430,239  | 32,981,992    |
| Other movement                     | -   | -  | -   | 84,948,866                   | -                                 | -                           | -                                | -  | -  | -  | -                                       | 187,786   | 85,136,652    |
| Surplus for the year               | -   | -  | -   | -                            | -                                 | -                           | -                                | -  | -  | -  | -                                       | 15,293,522  | 15,293,522    |
| Balance at 30 June 2006            | -   | -  | (48,164,290)  | 16,123,841                   | -                                 | -                           | -                                | -  | -  | -  | -                                       | (58,082,882)  | (90,123,331)  |
| <b>9,080,171</b>                   |   |  |   |                              |                                   |                             |                                  |  |  |  |   |   |               |

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**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

|  | Note | 2007                 | 2006<br>R            |
|--|------|----------------------|----------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>             |      |                      |                      |
| Cash receipts from ratepayers, government and other    |      | 487,106,291          | 491,835,871          |
| Cash paid to suppliers and employees                   |      | (461,365,550)        | (375,761,702)        |
| Cash generated by operations                           | 27   | 25,740,741           | 116,074,169          |
| Interest received                                      |      | 13,738,526           | 10,939,404           |
| Interest paid  |      | (12,856,705)         | (5,636,405)          |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>              |      | <b>24,858,920</b>    | <b>121,377,168</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>            |      |                      |                      |
| Purchase of property, plant and equipment              |      | (130,229,770)        | (116,951,547)        |
| Increase in investment properties                      |      |                      |                      |
| (Increase)/decrease in non-current receivables         |      | 590,789              | (580,650)            |
| Increase in non-current investments                    |      |                      |                      |
| (Increase)/decrease in working capital                 |      | 20,402,415           | (35,528,376)         |
| <b>NET CASH FROM INVESTING ACTIVITIES</b>              |      | <b>(109,236,566)</b> | <b>(153,060,431)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>            |      |                      |                      |
| New loans raised/(repaid)                              |      | 26,295,457           | 30,484,115           |
| Increase in consumer deposits                          |      | 403,286              | -                    |
| Increase/(decrease) in lease liability                 |      | 4,224,839            | -                    |
| Increase/(decrease) in short-term loans                |      | 11,059,937           | (279,188)            |
| (Increase)/decrease in investment                      |      | (4,193,814)          | 22,923,828           |
| <b>NET CASH FROM FINANCING ACTIVITIES</b>              |      | <b>37,789,705</b>    | <b>53,128,755</b>    |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>       |      | <b>(46,587,941)</b>  | <b>21,445,492</b>    |
| Cash and cash equivalents at the beginning of the year |      | 12,416,236           | (9,029,253)          |
| Cash and cash equivalents at the end of the year       |      | (34,171,705)         | 12,416,239           |



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**Notes to the Annual Financial Statements**

|  | 2007               | 2006<br>R          |
|--|--------------------|--------------------|
| <b>1. LONG-TERM LIABILITIES</b>                              |                    |                    |
| Development Bank of SA                                       | 27,092,660         | 30,881,497         |
| City Nominees (Stock)  | 16,000,000         | 16,000,000         |
| Long-Term Loans (PIC)  | 311,464,037        | 289,836,633        |
| Sub-total  | <u>354,556,697</u> | <u>336,718,130</u> |
| <b>2. FINANCE LEASE LIABILITY</b>                            |                    |                    |
| Lease liability  | 6,824,885          | -                  |
| Short term portion   | (2,600,046)        | -                  |
| Sub-total  | <u>4,224,839</u>   | <u>-</u>           |
| <b>3. SHORT – TERM LIABILITIES</b>                           |                    |                    |
| C.M.B Nominees   | -                  | 5,000,000          |
| Standard Bank Nominees (Stock)                               | -                  | 2,000,000          |
| Development bank of SA                                       | 3,837,176          | 3,377,285          |
| PIC  | 15,000,000         | -                  |
| Short-term portion of lease liability                        | 2,600,046          | -                  |
| <b>Total External Loans</b>                                  | <u>21,437,222</u>  | <u>10,377,285</u>  |
| Refer to Appendix A for more detail on long-term liabilities |                    |                    |
| <b>4. CREDITORS</b>  |                    |                    |
| Trade creditors  | 7,228,581          | 18,535,732         |
| Payments received in advance                                 | 9,766,514          | 9,456,223          |
| Retentions   | 7,293,597          | 215,100            |
| Other creditors  | 303,578,716        | 301,239,017        |
| Leave pay provision  | 7,484,454          | 13,229,770         |
| <b>Total Creditors</b>                                       | <u>335,351,862</u> | <u>342,675,842</u> |
| <b>5. BANK OVERDRAFT</b>                                     |                    |                    |
| ABSA – Brits – Account Number 4052683765 – (Overdrawn)       | 36,144,337         | (4,536,206)        |
| <b>Total</b>   | <u>36,144,337</u>  | <u>(4,536,206)</u> |
| <b>6. CONSUMER DEPOSITS</b>                                  |                    |                    |
| Electricity and Water  | 7,795,615          | 7,392,329          |
| <b>Total Consumer Deposits</b>                               | <u>7,795,615</u>   | <u>7,392,329</u>   |
| Guarantees held in lieu of Electricity and Water Deposits    | 903,590            | 903,590            |



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|  |   |                    |                    |
|--|---|--------------------|--------------------|
| <b>7.</b>  | <b>PROPERTY, PLANT AND EQUIPMENT</b>                                  | <b>2007</b>        | <b>2006</b>        |
|  | Fixed assets at the beginning of the year                             | 806,892,134        | 689,940,587        |
|  | Capital expenditure and transfer during the year                      | 4,451,464          | 116,951,547        |
|  | Finance lease assets  | 11,972,658         |                    |
|  | Assets not yet capitalised  | 113,149,246        |                    |
|  | Sub total   | 937,121,904        | 806,892,134        |
|  | Less: Assets written off, transferred or disposed off during the year |                    | -                  |
|  | <b>Total property, plant and equipment</b>                            | <b>937,121,904</b> | <b>806,892,134</b> |
|  | Less: Loans Redeemed and other Capital Receipts                       | (765,125,090)      | (650,766,123)      |
|  | <b>Net property, plant and equipment</b>                              | <b>171,996,814</b> | <b>156,126,011</b> |
| <b>8.</b>  | <b>LONG-TERM INVESTMENTS</b>  |                    |                    |
|  | <u><b>Listed</b></u>  |                    |                    |
|  | Sanlam Stock  | 34,933,852         | 22,522,937         |
|  | Old Mutual Stock  | 1,334,000          | 1,255,700          |
|  | Fixed Deposits  | 9,471,542          | 8,305,927          |
|  | Policies  | 12,623,009         | 10,382,004         |
|  | Gilts   | 8,205,500          | 8,368,274          |
|  | <b>Total Long-term investments</b>                                    | <b>66,567,903</b>  | <b>50,834,842</b>  |
|  | Market value of listed investments and other long-term investments.   |                    |                    |
|  | Listed investments  | 36,267,852         | 23,778,637         |
|  | Other long-term investments   | 30,300,051         | 27,056,205         |
|  | <b>Total Long-term investments</b>                                    | <b>66,567,903</b>  | <b>50,834,842</b>  |
|  | <b>Average rate of return</b>   |                    |                    |
|  | <b>Market valuation of listed investments</b>                         | <b>6.095%</b>      | <b>6.085%</b>      |
| Council adopted a prudent Investment Policy on the investment of surplus funds. Investment amounting to R29, 374, 106 has been pledged as security for external loan totalling R373, 393, 873. |   |                    |                    |
| <b>9.</b>  | <b>LONG-TERM RECEIVABLES</b>  |                    |                    |
|  | Capital in debit  | 8,145,895          | 8,460,450          |
|  | Capital in debit  | 5,687,118          | 5,963,352          |
|  |   | <b>13,833,013</b>  | <b>14,423,802</b>  |
|  | <b>Less Short-term portion</b>  |                    |                    |
|  | Old balance (80)  | (2,780,601)        | (2,900,000)        |
|  | Loans (50)  | (1,549,022)        | -                  |
|  | <b>Total short-term</b>   | <b>(4,329,623)</b> | <b>(2,900,000)</b> |
|  | <b>Non-current portion</b>  | <b>9,503,390</b>   | <b>11,523,802</b>  |
| <b>10.</b>   | <b>INVENTORY</b>  |                    |                    |
|  | Consumable stock  | 1,989,490          | 2,817,802          |
|  | Nursery Stock   | -                  | 681,717            |
|  | <b>Total</b>  | <b>1,989,490</b>   | <b>3,499,519</b>   |

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|      |   |             |                       |                                    |               |
|------|---|-------------|-----------------------|------------------------------------|---------------|
| 11.  | CONSUMER DEBTORS                              |             |                       | 2007                               | 2006          |
|      | Consumer debtors                              |             |                       | 328,098,751                        | 282,806,802   |
|      | Rates   |             |                       | 80,379,661                         |               |
|      | Electricity                                   |             |                       | 39,250,863                         |               |
|      | Water   |             |                       | 152,065,888                        |               |
|      | Other   |             |                       | 56,405,339                         |               |
|      | Less: Provision for bad debt                  |             |                       | (231,874,260)                      | (157,373,850) |
|      | Net balance                                   |             |                       | 99,224,491                         | 125,432,952   |
|      |   |             |                       |                                    |               |
| 11.1 | Property Rates                                |             |                       |                                    |               |
|      | Current (0-30 days)                           |             |                       | 7,021,220                          |               |
|      | 31-60 days                                    |             |                       | 5,499,408                          |               |
|      | 61-90 days                                    |             |                       | 4,577,178                          |               |
|      | Over 90 days                                  |             |                       | 63,281,855                         |               |
|      |   |             |                       | 80,379,661                         |               |
|      |   |             |                       |                                    |               |
| 11.2 | Electricity, Water and Other                  |             |                       |                                    |               |
|      | Current (0-30 days)                           |             |                       | 22,813,607                         |               |
|      | 31-60 days                                    |             |                       | 13,660,413                         |               |
|      | 61-90 days                                    |             |                       | 7,060,617                          |               |
|      | Over 90 days                                  |             |                       | 204,187,453                        |               |
|      |   |             |                       | 247,722,090                        |               |
|      |   |             |                       |                                    |               |
| 11.3 | Summary of debtors by Customer Classification |             |                       |                                    |               |
|      |   |             |                       |                                    |               |
|      | Current (0-30 days)                           | 9,980,959   | 19,208,022            | 639,123                            | 6,721         |
|      | 31-60 days                                    | 6,412,078   | 12,347,149            | 397,722                            | 2,874         |
|      | 61-90 days                                    | 5,132,893   | 6,169,727             | 333,080                            | 2,095         |
|      | Over 90 days                                  | 208,912,098 | 48,732,319            | 9,800,553                          | 21,338        |
|      | Sub-Total                                     | 230,438,028 | 86,457,217            | 11,170,478                         | 33,028        |
|      |   |             |                       |                                    |               |
|      | The above is classified as follows            | Consumers   | Industrial/Commercial | National and Provincial government | Other         |
|      |   |             |                       |                                    |               |
| 12.  | OTHER DEBTORS                                 |             |                       |                                    |               |
|      | Other debtors                                 |             |                       | 15,293,597                         | -             |
|      | Sundry debtors                                |             |                       | 290,845,947                        | 289,805,716   |
|      | Total   |             |                       | 306,139,544                        | 289,805,716   |
|      |   |             |                       |                                    |               |
| 13.  | VAT RECEIVABLE                                |             |                       |                                    |               |
|      | VAT   |             |                       | 2,768,926                          | 16,110,659    |

**Madibeng Local Municipality**  
**Annual Financial Statements**  
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**Notes to the Annual Financial Statements (Continued)**

|  |                    |                    |
|--|--------------------|--------------------|
| <b>14. SHORT-TERM RECEIVABLES</b>  | <b>2007</b>        | <b>2006</b>        |
| Old balance (80)   | 2,780,601          | 2,900,000          |
| Loans (50)   | 1,549,022          |                    |
| <b>Total short-term</b>  | <b>4,329,623</b>   | <b>2,900,000</b>   |
| <b>15. CALL INVESTMENT DEPOSITS</b>  |                    |                    |
| <b><u>Financial Instruments</u></b>  |                    |                    |
| Banks  | 6,676,319          | 18,308,240         |
| P.I.C  | 1,218,109          | 1,125,435          |
| <b>Total Cash Investments</b>  | <b>7,894,428</b>   | <b>19,433,675</b>  |
| <b>16. BANK BALANCES AND CASH</b>  |                    |                    |
| ABSA – Brits – Account Number 640000376  | -                  | 13,299,290         |
| ABSA – Brits – Housing Number 4052683765   | 51,876,942         | -                  |
| ABSA – Brits – Account Number  | -                  | 3,313,501          |
| ABSA – Brits – Account Number 640179503  | -                  | 17,404             |
| ABSA – Brits – Account Number 4055073462   | 21,405             | 21,405             |
| ABSA – Brits – Account Number 4054697853   | 60,571             | 60,571             |
| ABSA – Brits – Account Number 4055308239   | 229,078            | 229,077            |
| Petty Cash   | 12,477             | 11,197             |
| <b>Total</b>   | <b>52,200,472</b>  | <b>16,952,445</b>  |
| <b>BANK STATEMENT BALANCES AT YEAR END</b>   |                    |                    |
| ABSA – Brits – Account Number 640179503  | -                  | 17,404             |
| ABSA – Brits – Account Number 6-4000-0376  | 16,908,764         | 39,646,637         |
| ABSA – Brits – Account Number 4055073462   | 21,550             | 21,406             |
| ABSA – Brits – Account Number 4052683765   | 582,312            | 34,382             |
| ABSA – Brits – Account Number 4054697853   | 60,091             | 60,571             |
| ABSA – Brits – Account Number 4055308239   | 236,516            | 229,078            |
| <b>Total</b>   | <b>17,808,233</b>  | <b>40,009,478</b>  |
| <b>17. PROPERTY RATES</b>  |                    |                    |
| Category and actual income per category cannot be obtained by means of a report.   | <b>83,849,558</b>  | <b>62,599,638</b>  |
| No valuation on land was preformed. The last general valuation for the former Brits TLC came into effect on 1 July 2000. The basic rate for 2005/2006 was 24.02c per rand on land only. The last general valuation for the former Hartebeespoort TLC came into effect on 1 July 2001 and the basic rate for 2005/2006 was 4,896c per rand on land only. The last general valuation for the former Mooiooi is unknown. The basic rate for 2005/2006 was 8,316c per rand on land only. |                    |                    |
| <b>18. SERVICES CHARGES</b>  |                    |                    |
| Sale of water  | 69,545,274         | 52,102,328         |
| Sale of electricity  | 138,248,620        | 117,186,205        |
| Sewerage   | 23,625,021         | 18,454,131         |
| Solid Waste  | 17,294,212         | 16,585,037         |
| Regional dumping site  | -                  | 840,164            |
| <b>Total</b>   | <b>248,813,127</b> | <b>205,167,865</b> |
| <b>19. Government Grants</b>   |                    |                    |
| Equitable share  | 107,656,176        | 76,128,546         |
| Provincial health subsidies  | 2,132,000          | 2,848,000          |
| <b>Total</b>   | <b>109,788,176</b> | <b>78,976,546</b>  |

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| <b>20. OTHER INCOME</b>   | <b>2007</b>        | <b>2006</b>        |
|---|--------------------|--------------------|
| Other income comprises mainly of the following :                      |                    |                    |
| Building plans approval   | 2,359,786          | 1,449,172          |
| Resorts : Entrance fees   | 115,532            | 743,876            |
| Resorts : Rent log cabins   | -                  | 919,591            |
| Council sundry income   | 8,000,193          | -                  |
| Other   | 6,645,731          | 2,321,651          |
| <b>Total</b>  | <b>17,121,242</b>  | <b>5,434,290</b>   |
| <b>21. EMPLOYEE RELATED COSTS</b>                                     |                    |                    |
| Employee related costs: Salaries and Wages                            | 70,950,995         | 76,469,800         |
| Employee related costs: Contribution for UIF, pension and medical aid | 24,710,132         | 23,786,492         |
| Travel, motor car, accommodation, subsistence and other allowance     | 18,164,396         | 9,836,992          |
| Housing benefits and allowances                                       | 874,360            | 1,067,413          |
| Overtime payments   | 11,829,372         | 9,204,840          |
| Performance bonus   | -                  | 581,194            |
| Less employee cost included in other expenses                         | -                  | -                  |
| <b>Total</b>  | <b>126,529,255</b> | <b>120,946,731</b> |
| <b>21.1 Municipal Manager</b>   |                    |                    |
| Annual Remuneration   | 528,427            | 578,165            |
| Car allowance   | 122,633            | 141,252            |
| Contributions: Pension, Medical Aid, UIF and Provident Funds          | 67,157             | 71,707             |
| <b>Totals</b>   | <b>718,217</b>     | <b>791,124</b>     |
| <b>21.2 Chief Financial Officer</b>                                   |                    |                    |
| Annual remuneration   | 282,092            | 370,236            |
| Car allowance   | 95,554             | 157,708            |
| Contributions: Pension, Medical Aid, UIF and Provident Funds          | 49,160             | 74,031             |
| <b>Totals</b>   | <b>426,806</b>     | <b>601,975</b>     |
| <b>21.3 Other Section 57 Managers</b>                                 |                    |                    |
| Annual remuneration   | 1,936,559          | 1,776,425          |
| Car allowance   | 752,196            | 772,246            |
| Contributions: Pension, Medical Aid, UIF and Provident Funds          | 401,664            | 385,185            |
| <b>Total</b>  | <b>3,090,419</b>   | <b>2,933,856</b>   |
| <b>22. REMUNIRATION OF COUNCILLORS</b>                                |                    |                    |
| Mayor's allowance   | 295,748            | 274,457            |
| Speakers' allowance   | 233,014            | 222,414            |
| Councillors' allowance  | 3,953,349          | 2,779,544          |
| Mayoral committee allowances  | 1,862,222          | 1,777,894          |
| Councillors' pension contribution                                     | 844,602            | 785,934            |
| Councillors' medical aid contribution                                 | 517,317            | 300,402            |
| Councillors' use of personal facilities allowances                    | -                  | 105,102            |
| Councillors' cellphone allowances                                     | 689,386            | 678,458            |
| Councillors' traveling allowances                                     | 2,692,753          | 1,610,567          |
| Councillors' housing allowances                                       | -                  | 316,020            |
| <b>Total</b>  | <b>11,087,894</b>  | <b>8,850,792</b>   |



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|   |                    |                    |
|---|--------------------|--------------------|
| <b>23. INTEREST PAID</b>  | <b>2007</b>        | <b>2006</b>        |
| Interest paid   | 12,856,705         | 6,015,749          |
| <b>24. BULK PURCHASES</b>                                       |                    |                    |
| Electricity   | 90,797,627         | 89,209,462         |
| Water   | 33,369,627         | 45,299,901         |
|   | <b>124,167,068</b> | <b>134,609,363</b> |
| <b>25. GENERAL EXPENSES</b>                                     |                    |                    |
| Other expenses comprises mainly of the following:               |                    |                    |
| Printing and stationery   | 1,080,469          | 1,292,871          |
| Rental of machinery and equipment                               | 1,601,229          | 5,510,459          |
| Office rental   | 4,364,864          | -                  |
| Medical aid member contribution                                 | 1,250,906          | 1,221,420          |
| Audit fees  | 2,150,906          | 1,029,828          |
| Software licences fees  | 1,350,845          | 1,598,098          |
| Legal and professional fees                                     | 4,177,341          | 5,495,036          |
| Security project cameras  | 2,331,011          | 1,794,264          |
| Internal charge: Human resources                                | 2,931,059          | 2,771,761          |
| Internal charge: Stores   | 1,188,596          | 1,120,638          |
| Council expenses  | 17,356,794         | 15,080,503         |
| Corporate administration  | 7,711,078          | 7,044,167          |
| Internal charge: Security                                       | 4,133,014          | 3,852,139          |
| Internal charge: Municipal Manager                              | 2,925,238          | 2,658,423          |
| Loan redemption   | 5,871,045          | 7,059,331          |
| Assistance to indigents   | 1,672              | 10,500,000         |
| Security services   | 4,100,635          | 3,316,388          |
| Telephone and calls   | 2,498,035          | 1,677,182          |
| Insurance   | 1,507,592          | 1,429,258          |
| Transport: Fuel and oil   | 894,773            | 4,080,900          |
| Other   | 61,685,193         | 18,909,074         |
| <b>Total</b>  | <b>131,360,250</b> | <b>97,440,740</b>  |
| <b>26. APPROPRIATIONS FOR THE YEAR</b>                          |                    |                    |
| Difference between interest capitalised on investments vs loans | 36,037,343         | 29,879,691         |
| Increase in debtors (Water supplied by Sandspruit water)        | -                  | (25,218,432)       |
| Increase in provision for bad debts                             | -                  | 30,541,620         |
| Decrease in nursery stock                                       | 681,717            | 81,693             |
| Sundry adjustments  | -                  | 900,975            |
| VAT refund  | -                  | (5,804,667)        |
| Decrease in trade creditors                                     | -                  | -                  |
| <b>Total</b>  | <b>36,719,060</b>  | <b>30,380,880</b>  |

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**27. CASH GENERATED BY OPERATIONS**

|   | <b>2007</b>       | <b>2006</b>        |
|---|-------------------|--------------------|
| Surplus for the year  | 15,293,522        | (12,696,108)       |
| Adjustment for:   |                   |                    |
| Prior year adjustment   | (36,719,060)      | (30,380,880)       |
| Current depreciation charge   | -                 | -                  |
| Contribution leave provisions   | (5,745,590)       | 6,594,168          |
| Contribution to provisions – current                                      |                   |                    |
| Contribution to bad debt provision  | 74,500,410        | 30,541,620         |
| Statutory funds   | -                 | 97,151             |
| Reserves  | -                 | 10,500,000         |
| Interest received   | (13,738,526)      | (10,939,404)       |
| Interest paid   |                   |                    |
| To internal funds   | 5,871,045         | 379,337            |
| On external loans   | 5,820,532         | 5,636,405          |
| Finance lease interest  | 1,165,129         |                    |
| Redemption  |                   |                    |
| Of external advances  | 11,328,947        | 5,785,602          |
| Of internal loans   | 6,501,631         | 2,881,139          |
| Finance lease   | 2,878,153         |                    |
| Assets ex grants- (Grants outstanding at year end transferred to debtors) | -                 | 84,948,886         |
| Non operating income  |                   |                    |
| Statutory funds   | 17,622,448        | 13,184,295         |
| Trust funds   | 137,251,237       | 140,947,340        |
| Non operating expenditure charged against:                                |                   |                    |
| Statutory funds   | (61,690,120)      | (7,199,918)        |
| Reserves  | -                 | (10,038,633)       |
| Trusts funds  | (113,776,878)     | (114,166,831)      |
| Provisions  | (11,021,180)      |                    |
| <b>Cash generated by operations</b>                                       | <b>25,740,741</b> | <b>116,074,169</b> |

**28.1 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

|  |                     |                   |
|--|---------------------|-------------------|
| Bank balances and cash                 | (36,144,337)        | 16,952,445        |
| Bank overdraft                         | 1,972,632           | (4,536,206)       |
| <b>Total cash and cash equivalents</b> | <b>(34,171,705)</b> | <b>12,416,239</b> |

**29. RELATED PARTIES**

Madibeng local municipality is controlled by the Department of Local Government, which has the national government as it ultimate controlling institution.

Madibeng local municipality has received the grants and subsidies from national and provincial government as detailed in note 19.

The remuneration paid to section 57 managers, Municipal Manager, Chief Financial Officer and the Councillors is detailed in note 21.

The year-end councillors' arrear accounts are disclosed in detail in note 31.

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|   | <b>2007</b>       | <b>2006</b> |
|---|-------------------|-------------|
| The following departments owed the municipality the following amounts |                   |             |
| Department  |                   |             |
| Education   | 8,781,729         | -           |
| Public works  | 598,933           | -           |
| Agriculture   | 72,656            | -           |
| Health and welfare  | 163,650           | -           |
| Social Services   | 1,331             | -           |
| Tourism   | 7,755             | -           |
| South African Police Services   | 6,324,301         | -           |
| Housing   | 76,240            | -           |
| Roads and transport   | 6,150             | -           |
| <b>Total</b>  | <b>16,032,746</b> | <b>-</b>    |

**30. RETIREMENT BENEFITS**

Councillors are members of the Municipal Councillors Pension Fund and are personal members of one of the following funds: (i) Joint Municipal Pension Fund, (ii) Municipal Workers Pension Fund, or (iii) Municipal Gratuity Fund. The last actuarial valuation of the pension funds was done on 30 June 2004. No serious deficiency was disclosed by this valuation.

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| 31   | UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE   | 2007        | 2006        |
|------|---|-------------|-------------|
| 31.1 | <b>Fruitless and wasteful expenditure</b>   |             |             |
|      | Reconciliation of fruitless and wasteful expenditure  |             |             |
|      | Opening balance   | -           | -           |
|      | Fruitless and wasteful expenditure current year   | -           | 223,218     |
|      | Condoned or written off by Council  | -           | -           |
|      | To be recovered – contingent asset (See note 34)  | -           | (223,218)   |
|      | Fruitless and wasteful expenditure awaiting condonement   | -           | -           |
| 31.2 | <b>Irregular expenditure</b>  |             |             |
|      | Reconciliation of irregular expenditure   |             |             |
|      | Opening balance   | -           | -           |
|      | Fruitless and wasteful expenditure current year   | -           | 7,655,839   |
|      | Condoned or written off by Council  | -           | -           |
|      | To be recovered – contingent asset (See note 34)  | -           | (7,655,839) |
|      | Irregular expenditure awaiting condonement  | -           | -           |
| 32.  | <b>COUNCILORS' ARREARS CONSUMER ACCOUNTS</b>  |             |             |
|      | The following councillors owe the municipality and have made an arrangements to repay the amounts owing |             |             |
|      | <b>Councillor</b>   | 3,110       | -           |
|      | Councillor D Lion   | 2,310       | -           |
|      | Councillor SM Magakwe   | 20,914      | -           |
|      | Councillor WS Molefe  | 26,334      | -           |
|      | All these amounts are owing for greater than 90 days  |             |             |
| 33.  | <b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>                              |             |             |
| 33.1 | <b>Audit fees</b>   |             |             |
|      | Opening balance   | -           | -           |
|      | Current year audit fee  | 2,150,906   | 1,029,828   |
|      | Amount paid - current year  | (2,150,906) | (1,029,828) |
|      | Amount paid - previous years  | -           | -           |
|      | <b>Balance unpaid (included in creditors)</b>   | -           | -           |



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| <b>33.2 PAYE and UIF</b>                      | <b>2007</b>    | <b>2006</b>  |
|---|----------------|--------------|
| Opening balance                               | -              | -            |
| Current year payroll deductions               | 15, 233, 911   | 15,240,311   |
| Amount paid - current year                    | (15, 233, 911) | (15,240,311) |
| Amount paid - previous years                  | -              | -            |
| <b>Balance unpaid (included in creditors)</b> | <b>-</b>       | <b>-</b>     |

**33.3 PENSION AND MEDICAL AID DEDUCTIONS**

|   |             |          |
|---|-------------|----------|
| Opening balance   | -           | -        |
| Current year payroll deductions and council contributions | 35,577,914  | -        |
| Amount paid – current year                                | -35,577,914 | -        |
| Amount paid – previous years                              | -           | -        |
| <b>Balance unpaid (Included in creditors)</b>             | <b>-</b>    | <b>-</b> |

**34. CONTINGENT LIABILITY**

|                               |                   |                  |
|-------------------------------|-------------------|------------------|
| <b>34.1 Claim for damages</b> | <b>25,261,785</b> | <b>4,000,000</b> |
|-------------------------------|-------------------|------------------|

The municipality has taken a decision to evict the African Water Safaris (Pty) Ltd from Oberon resort as there was no active lease agreement between them and the municipality. African Water Safaris is claiming R4, 200,000 for refurbishment done on the resort.

The ZD Distributors Cleaning and Construction CC is suing the municipality for breach of contract and cancellation, amount involved is R2, 140,000.

Paphiri Busines Enterprise CC is suing the council for R2, 000,000 for underpayment in terms of refuse removal contract. It alleged that the municipality failed to conduct house count every six months and consider CPI in order to adapt fees payable for services rendered.

Sandspruit Water and Madibeng municipality has a tacit agreement, whereby water is supplied to rural areas under the service of the municipality. Sandspruit Water is suing the municipality for an amount of R16, 920,785 for operational losses, however the municipality is disputing the claim as these losses are on bulk purchases from Rand Water done by Sandspruit Water on behalf of the municipality, for which the municipality has already been invoiced.

**35. EVENTS AFTER THE BALANCE SHEET DATE**

The municipality has been ordered by the high court to provide infrastructure to Kosmos Ridge Extension 63, which will cost R6, 000, 000. The above figure has not been budgeted for.

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| APPENDIX A   |             |            |                     |                            |  |                     |
|--|-------------|------------|---------------------|----------------------------|--|---------------------|
| SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007                          |             |            |                     |                            |  |                     |
| EXTERNAL LOANS   | Loan Number | Redeemable | Balance at 30/06/06 | Received during the Period | Redeemed Written off during the Period | Balance at 30/06/07 |
| <b>LONG-TERM LOANS</b>   |             |            | <b>R</b>            | <b>R</b>                   | <b>R</b>                               | <b>R</b>            |
| IStock Loan @ 11.50%   | E21         | 2006       | 2,500,000           | -                          | 2,500,000                              | -                   |
| Stock Loan @ 12.75%  | E23         | 2006       | 2,500,000           | -                          | 2,500,000                              | -                   |
| Stock Loan @ 12.00%  | 30          | 2006       | 2,000,000           | -                          | 2,000,000                              | -                   |
| Stock Loan @ 12.00%  | 32          | 2011       | 16,000,000          | -                          | -                                      | 16,000,000          |
| Development bank of South Africa                                       |             |            | 32,687,070          | -                          | 2,975,287                              | 29,711,783          |
| Development Bank of South Africa<br>(former Local Authority Loan Fund) |             |            | 1,571,712           | -                          | 353,660                                | 1,218,053           |
| Venture Capital (PIC)  |             |            | 289,836,633         | 37,627,404                 | 1,000,000                              | 326,464,037         |
| <b>TOTAL EXTERNAL LOANS</b>  |             |            | <b>347,095,415</b>  | <b>37,627,404</b>          | <b>11,328,947</b>                      | <b>373,393,873</b>  |

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**APPENDIX B**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED**

**30 JUNE 2007**

| 2006<br>Actual<br>Income<br>R | 2006<br>Actual<br>Expenditure<br>R | 2006<br>Surplus/<br>(Deficit)<br>R |                             | 2007<br>Actual<br>Income<br>R | 2007<br>Actual<br>Expenditure<br>R | 2007<br>Surplus/<br>(Deficit)<br>R |
|-------------------------------|------------------------------------|------------------------------------|-----------------------------|-------------------------------|------------------------------------|------------------------------------|
| -                             | 1,435,635                          | 1,435,635                          | Executive & Council         | 27,448,290                    | 29,268,701                         | (1,820,411)                        |
| 72,696,916                    | 6,723,845                          | 65,973,021                         | Finance & Admin             | 215,691,949                   | 61,744,655                         | 153,947,294                        |
| 135,355                       | 2,111,639                          | (1,976,284)                        | Planning & Development      | 886,327                       | 8,986,597                          | (8,100,270)                        |
| 331,447                       | 2,031,327                          | (1,699,880)                        | Health                      | 430,000                       | 4,893,733                          | (4,893,733)                        |
| 66,560,000                    | 75,234,846                         | (8,674,846)                        | Community & Social Services | 11,536,962                    | 92,126,939                         | (80,589,977)                       |
| -                             | 2,039,821                          | 2,039,821                          | Housing                     | -                             | 2,683,525                          | (2,683,525)                        |
| 1,178,582                     | 22,194,845                         | (21,016,263)                       | Public Safety               | 6,487,361                     | 12,891,101                         | (7,500,231)                        |
| 122,702                       | 18,453,024                         | (18,330,322)                       | Sport & Recreation          | 431,867                       | 18,090,478                         | (17,658,611)                       |
| 27,422,420                    | 24,227,434                         | 3,194,986                          | Environmental Protection    | 113,412                       | 2,802,906                          | (2,689,484)                        |
| 18,800,008                    | 17,905,289                         | 894,719                            | Waste Management            | 51,882,729                    | 46,048,191                         | 5,834,538                          |
| 61,558,323                    | 90,735,818                         | (29,177,495)                       | Water                       | 85,397,577                    | 112,023,332                        | (26,625,743)                       |
| 120,854,009                   | 112,668,128                        | 8,185,881                          | Electricity                 | 148,039,711                   | 146,485,243                        | 1,554,468                          |
|                               | 6,594,169                          | (6,594,169)                        | Leave provision             |                               | (5,745,316)                        | (5,745,316)                        |
| 369,659,762                   | 382,355,870                        | (12,696,108)                       | <b>Total</b>                | 550,356,155                   | 533,062,633                        | 15,293,522                         |



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**APPENDIX C**

**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007**

|   | <b>2007</b>        | <b>2007</b>        | <b>2007</b>         | <b>2007</b>         | <b>Explanation of Significant Variances</b>                   |
|---|--------------------|--------------------|---------------------|---------------------|---|
| <b>REVENUE</b>  | <b>Actual (R)</b>  | <b>Budget (R)</b>  | <b>Variance (R)</b> | <b>Variance (%)</b> | <b>greater than 10% versus Budget</b>                         |
| Property rates  | 83,849,558         | 64,257,703         | 19,591,855          | 30%                 | <i>The municipality registered more new ratepayers in the</i> |
| Property rates - penalties imposed and collection charges | -                  | -                  | -                   | -                   |   |
| Service charges   | 248,813,127        | 214,543,353        | 34,697,774          | 16%                 | This is due to tariff increase and the new customers          |
| Regional Services Levies – turnover                       | -                  | -                  | -                   | -                   |   |
| Regional Services Levies – remuneration                   | -                  | -                  | -                   | -                   |   |
| Rental of facilities and equipment                        | 1,367,535          | 2,986,365          | 1,618,830           | -54%                |   |
| Interest earned - external investments                    | 995,300            | 396,000            | 599,300             | 151%                |   |
| Interest earned - outstanding debtors                     | 12,743,226         | 10,108,535         | 2,634,691           | 26%                 |   |
| Dividends received  | 51,643             | -                  | (51,643)            | 100%                |   |
| Fines   | 529,643            | 1,628,000          | (1,098,357)         | -54%                |   |
| Licences and permits                                      | 2,224,629          | 2,489,500          | (1,098,357)         | -10%                |   |
| Income for agency services                                | 2,529,119          | 2,900,000          | (370,881)           | -31%                |   |
| Government grants and subsidies                           | 109,778,176        | 105,374,750        | (4,403,426)         | -4%                 |   |
| Other income  | 17,121,242         | 20,057,472         | 5,562,565           | -15%                |   |
| Public contributions, donated/contributed PPE             | -                  | -                  | -                   | -                   |   |
| Gains on disposal of property, plant and equipment        | -                  | -                  | -                   | -                   |   |
| Internal transfers  | 68,592,987         | 70,417,242         | (1,824,255)         | -3%                 |   |
| <b>Total Revenue</b>                                      | <b>548,346,185</b> | <b>495,159,020</b> |                     |                     |   |
| <b>EXPENDITURE</b>  |                    |                    |                     |                     |   |
| Executive & Council                                       | 29,268,987         | 25,055,868         | 4,213,119           | 17%                 |   |
| Finance & Admin   | 32,805,038         | 54,528,608         | (21,723,570)        | -40%                |   |
| Planning & Development                                    | 8,986,597          | 13,794,713         | (4,808,116)         | -35%                |   |
| Health  | 4,893,733          | 4,699,708          | 194,025             | 4%                  |   |
| Community & Social Services                               | 36,450,520         | 43,500,029         | (7,049,509)         | -16%                |   |
| Housing   | 2,683,525          | 2,557,803          | 125,722             | 5%                  |   |
| Public Safety   | 12,891,104         | 22,175,350         | (9,284,246)         | -42%                |   |
| Sport & Recreation  | 18,090,478         | 20,236,414         | (2,145,936)         | -11%                |   |
| Environmental Protection                                  | 2,802,906          | 3,395,950          | (593,044)           | -17%                |   |
| Waste Management  | 46,048,191         | 49,832,206         | (3,784,015)         | -8%                 |   |
| Road Transport  | 20,091,128         | 23,044,590         | (2,953,462)         | -13%                |   |
| Water   | 112,023,332        | 80,375,499         | 31,647,833          | 39%                 |   |
| Electricity   | 146,485,243        | 126,921,987        | 19,563,256          | 15%                 |   |
| Other   | 59,944,426         | 24,947,534         | 34,996,892          | 140%                |   |
| <b>Total Expenditure</b>                                  | <b>533,062,663</b> | <b>495,064,296</b> |                     |                     |   |
| <b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>                 | <b>15,293,522</b>  | <b>92,492</b>      |                     |                     |   |